

RISE, INC.
Mesa, Arizona

FINANCIAL STATEMENTS
September 30, 2005

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
RISE, Inc.
Mesa, Arizona

We have audited the accompanying statement of financial position of RISE, Inc. (the Organization) (a Utah not-for-profit corporation) as of September 30, 2005, and the related statements of activities and change in net assets, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of RISE, Inc. as of September 30, 2005, and the change in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2005, on our consideration of RISE, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Clifton Gunderson LLP

Phoenix, Arizona
December 2, 2005

RISE, INC.
STATEMENT OF FINANCIAL POSITION
September 30, 2005

ASSETS

CURRENT ASSETS

Cash and cash equivalents

Unrestricted

Restricted

Accounts receivable, net allowance of \$100,000

Prepaid expenses

\$ 4,308,405

288,091

2,683,108

269,554

Total current assets

7,549,158

PROPERTY AND EQUIPMENT, net

9,067,733

OTHER ASSETS

Bond issue costs, net of amortization \$60,529

Other assets

155,757

6,220

Total other assets

161,977

TOTAL ASSETS

\$16,778,868

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts payable	\$ 177,858
Accrued liabilities	932,532
Current maturities of long-term debt	335,236
Contract deposits	<u>1,034</u>

Total current liabilities 1,446,660

LONG-TERM DEBT, less current maturities 4,704,641

OTHER LIABILITIES 92,389

Total liabilities 6,243,690

UNRESTRICTED NET ASSETS

Designated by Board of Directors	218,657
Undesignated	<u>10,316,521</u>

TOTAL UNRESTRICTED NET ASSETS 10,535,178

TOTAL LIABILITIES AND UNRESTRICTED NET ASSETS \$16,778,868

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

RISE, INC.
STATEMENT OF ACTIVITIES AND CHANGE IN NET ASSETS
Year Ended September 30, 2005

REVENUES, GAINS AND OTHER SUPPORT

Federal and state contracts	\$ 30,473,663
Rental income	431,697
Donations	14,723
Interest income	34,159
Miscellaneous	14,774
Gain on sale of property and equipment	<u>40,890</u>

Total revenues, gains and other support 31,009,906

EXPENSES

Program services	
Residential	10,790,847
Professional parent	9,524,681
In home support	4,875,391
Day training	2,601,011
Managed Care	1,743,647
Vocational services	<u>6,486</u>

Total program services 29,542,063

Support services	
General and administrative	503,274
Pueblo de Amor	8,222
Private pay	<u>1,718</u>

Total support services 513,214

Total expenses 30,055,277

CHANGE IN NET ASSETS 954,629

NET ASSETS, BEGINNING OF YEAR 9,580,549

NET ASSETS, END OF YEAR \$ 10,535,178

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

RISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES
Year Ended September 30, 2005

	Program Services					
	<u>Residential</u>	<u>Professional Parent</u>	<u>In Home Support</u>	<u>Day Training</u>	<u>Managed Care</u>	<u>Vocational Services</u>
Salaries and wages	\$ 5,113,362	\$ 1,889,734	\$ 2,508,545	\$ 1,231,051	\$ 971,974	\$ 2,000
Employee benefits	928,271	325,013	395,922	237,362	153,910	1,219
Administrative:						
RISE Corporation						
State	456,350	419,210	215,372	109,549	72,631	386
Communications	600,457	560,424	288,291	147,526	97,008	525
Conferences	54,662	19,806	17,197	17,101	1,936	48
Equipment	2,729	3,840	1,725	186	1,063	-
Facility costs	42,399	3,819	3,211	4,723	-	-
Operating expenses	844,371	7,912	33,973	168,489	3,463	-
Professional fees	82,604	245,462	131,451	22,852	43,341	71
Support services	932,480	5,431,910	921,330	195,270	319,291	578
Supplies	806,423	453,252	287,496	185,509	74,636	1,237
Transportation	467,026	32,105	8,688	68,631	3,020	55
Travel	453,589	124,631	60,245	211,511	1,317	367
	6,124	7,563	1,945	1,251	57	-
TOTAL FUNCTIONAL EXPENSES	<u>\$10,790,847</u>	<u>\$9,524,681</u>	<u>\$4,875,391</u>	<u>\$2,601,011</u>	<u>\$1,743,647</u>	<u>\$ 6,486</u>
						<u>\$ 29,542,063</u>

(Continued)

RISE, INC.
STATEMENT OF FUNCTIONAL EXPENSES (CONTINUED)
Year Ended September 30, 2005

	Support Services			
	General and Administrative	Pueblo de Amor	Private Pay	Total
Salaries and wages	\$ 2,300,820	\$ -	\$1,595	\$ 2,302,415
Employee benefits	475,075	-	123	475,198
Administration:				
RISE Corporation	(1,273,498)	-	-	(1,273,498)
State	(1,694,230)	-	-	(1,694,230)
Communications	205,526	-	-	205,526
Conferences	108,492	1,050	-	109,542
Equipment	165,926	-	-	165,926
Facility costs	580,109	-	-	580,109
Operating expenses	370,330	200	-	370,530
Professional fees	661,848	-	-	661,848
Support services	(1,808,552)	-	-	(1,808,552)
Supplies	17,392	90	-	17,482
Transportation	244,430	-	-	244,430
Travel	149,606	6,882	-	156,488
	<u>\$ 503,274</u>	<u>\$ 8,222</u>	<u>\$1,718</u>	<u>\$ 513,214</u>
TOTAL FUNCTIONAL EXPENSES				

These financial statements should be read only in connection with the accompanying summary of significant accounting policies and notes to financial statements.

RISE, INC.
STATEMENT OF CASH FLOWS
Year Ended September 30, 2005

CASH FLOWS FROM OPERATING ACTIVITIES

Change in net assets	\$ 954,629
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation and amortization	483,465
Amortization of bond costs	10,837
Gain on sale of property and equipment	(40,890)
Increase (decrease) in cash resulting from changes in:	
Accounts receivable	705,853
Prepaid expenses	196,966
Other assets	(1,220)
Accounts payable	(183,631)
Accrued liabilities	108,038
Contract deposits	(3,966)
Net cash provided by operating activities	<u>2,230,081</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Proceeds from sale of property and equipment	137,400
Purchase of property and equipment	<u>(1,026,525)</u>
Net cash used in investing activities	<u>(889,125)</u>

CASH FLOWS FROM FINANCING ACTIVITIES

Proceeds from long-term debt	24,000
Decrease in due to shareholder	(20,200)
Repayment of long-term debt	<u>(339,589)</u>
Net cash used in financing activities	<u>(335,789)</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS 1,005,167

CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR 3,591,329

CASH AND CASH EQUIVALENTS, END OF YEAR \$ 4,596,496

These financial statements should be read only in connection with
the accompanying summary of significant accounting policies
and notes to financial statements.

RISE, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005

RISE, Inc. (the Organization), is a Utah not-for-profit corporation organized in March, 1988, in the State of Utah. The Organization provides services to individuals that have developmental disabilities in the states of Utah, Arizona, Washington and Oregon.

PROGRAMS

The Organization maintains the following programs:

- Residential
- Professional Parent
- In Home Support
- Day Training
- Managed Care
- Vocational Services

BASIS OF PRESENTATION

The Organization prepares its financial statements in accordance with the American Institute of Certified Public Accountants *Audit and Accounting Guide for Not-For-Profit Organizations* (Audit Guide). Under the Audit Guide, the Organization is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets as follows:

Unrestricted Net Assets

Unrestricted net assets are not subject to donor imposed stipulations and are those currently available at the discretion of the Board for use in RISE, Inc.'s operations, in accordance with its bylaws. Temporarily restricted net assets received and expended in the same year are classified as unrestricted.

Temporarily Restricted Net Assets

Temporarily restricted net assets are those which are subject to donor-imposed stipulations that will be met by RISE, Inc. and/or the passage of time. The Organization has no temporarily restricted net assets at September 30, 2005.

Permanently Restricted Net Assets

Permanently restricted net assets are those which represent permanent endowments where it is stipulated by donors that the principal remain in perpetuity and only the income is available as unrestricted or temporarily restricted, as per the endowment agreements. RISE, Inc. had no permanently restricted net assets at September 30, 2005.

USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make a number of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

RISE, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005

CASH AND CASH EQUIVALENTS

The Organization considers all investments with a maturity of three months or less when purchased to be cash equivalents.

Restricted cash and cash equivalents includes the balance of a sinking fund account and related trust account and an investment account maintained at the Organization's primary financial institution. The sinking fund and trust accounts are restricted for the payment of bonds payable to the bank. The investment account is restricted for use in completing a building project located in Mesa, Arizona, as specified by the bond agreement.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect representing services performed for September 2005 and prior months for which payments are due from the states of Utah, Arizona, Washington and Oregon. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts.

Receivables are considered delinquent when past due over a period of 3 to 9 months based on various governmental agencies. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

An allowance has been established in the amount of \$100,000 based upon management's evaluation of outstanding contracts receivable at September 30, 2005. Changes in the valuation allowance have not been material to the financial statements.

PROPERTY AND EQUIPMENT

Purchased property and equipment is stated at cost. The Organization capitalizes acquisitions of property and equipment in excess of \$1,000. Depreciation and amortization is provided using the straight-line method over their respective useful lives, which range from 3 to 30 years.

IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

RISE, INC.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
September 30, 2005

BOND ISSUE COSTS

The Organization capitalized certain interest and financing costs associated with the issuance of bonds payable. These costs are being amortized over the life of the bonds. Amortization expense was \$10,837 for the year ended September 30, 2005.

DONATED SERVICES

Donated services are services delivered to individuals with developmental disabilities throughout the year without expectation of reimbursement.

DESIGNATION OF UNRESTRICTED NET ASSETS

It is the policy of the Board of Directors of the Organization to review its plans for future programs from time to time and to designate appropriate sums of unrestricted net assets to assure adequate financing of such programs. The Board has designated a portion of unrestricted net assets to be used for education and seminars, individual resources and an event fund.

FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of functional expenses. Accordingly, certain costs have been allocated among the programs and activities benefited.

INCOME TAXES

Income taxes are not provided for in the financial statements since the Organization is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and similar state provisions. The Organization is not classified as a private foundation.

CONCENTRATION OF CREDIT RISK

Financial Instruments which potentially subject the Organization to concentrations of credit risk are principally accounts receivable. Cash on deposit with various banks generally exceeds the amounts insured by the Federal Deposit Insurance Corporation. Management believes there are no unusual risks associated with current depository institutions.

ADVERTISING

Advertising costs are expensed as incurred.

This information is an integral part of the accompanying financial statements.

RISE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 1 – PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

Buildings	\$ 7,790,832
Furniture, fixtures and equipment	447,755
Vehicles	1,298,059
Leasehold improvements	396,613
Construction in progress	<u>118,844</u>
	10,052,103
Less accumulated depreciation and amortization	<u>(2,296,066)</u>
	7,756,037
Land	<u>1,311,696</u>
Property and equipment, net of accumulated depreciation and amortization	<u>\$ 9,067,733</u>

Depreciation and amortization expense charged to functional expenses was \$483,465 for the year ended September 30, 2005.

NOTE 2 – RELATED PARTY TRANSACTIONS

The President of the Organization leases facilities to the Organization under operating lease agreements at current fair market value. The leases are on a month-to-month basis which total \$2,464 per month. The total rent expense paid under these lease agreements for the year ended September 30, 2005 totaled \$29,568.

The Organization contracts with a corporation that is owned by the President and Vice-President to do the ongoing financial and accounting work. During the year ended September 30, 2005, the Organization paid \$2,725,034 to this related entity.

The same corporation paid \$121,258 in rent to the Organization during the year ended September 30, 2005.

Prepaid lease to the corporation is amortized over lease term. Total amortization expense for year ended September 30, 2005 was \$14,214.

RISE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 3 – LONG-TERM DEBT

Long-term debt consists of the following:

Wells Fargo Brokerage Services, LLC adjustable rate note, payable in 214 monthly equal principal payments sufficient to fully amortize the aggregate amount of advances made through November 1, 2001; payable beginning December 1, 2004 over 214 months plus variable interest at the bank's prime rate plus 2% (5.9% at September 30, 2005) until maturity. The monthly payments are deposited to a sinking fund account and applied to the note payable annually. In connection with the issuance of the note payable, the issuer has required the Organization to deliver to the paying agent an irrevocable direct-pay letter of credit to secure payment of principal, interest and purchase price with respect to the demand note payable.

\$4,365,000

The Clawson Group, mortgage on real estate in the State of Utah; payable in monthly installments of \$5,639, including interest at 7.5%, through March 2009 with balloon payment of \$475,000; secured by real estate.

573,429

Workers' compensation insurance judgment; payable in monthly installments of \$4,679, with no interest, through August 2007.

101,448

Total

5,039,877

Less current maturities

335,236

Long-term maturities of long-term debt

\$4,704,641

Future maturities of long-term debt are as follows:

2006	\$ 335,236
2007	319,249
2008	279,646
2009	740,745
2010	250,000
Thereafter	<u>3,115,001</u>

Total

\$5,039,877

Interest expense for the year ended September 30, 2005 was \$166,176.

RISE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 4 – RESTRICTIVE LOAN COVENANTS

The Organization is required to meet certain financial covenants, including profitability, liquidity and solvency ratios. As of September 30, 2005, the Organization was in compliance with these covenants.

NOTE 5 – OTHER LIABILITIES

The Organization has a loan (original amount of \$82,000) with the State of Oregon for renovation of property to be used for services provided to the State. The terms of the note reduce the amount of the obligation each month that the Organization uses the property for the stated purpose, until the balance becomes zero in November 2030. The Organization recognizes donations revenue equal to the reduction in the liability for each period. If the Organization ceases to use the property for its stated purpose prior to November 2030, the outstanding balance will be due immediately. Management has no plans to cease using the property for the stated purpose in the future.

\$ 68,789

The Organization also entered into a loan (original amount of \$24,000) with the Rural Housing Development Corporation in Utah for the renovation of property in June of 2005. The loan is due and payable in full upon the refinancing, sale or the change of use of the property to something other than serving low-income families or persons. If the property continues to meet the terms of the loan for a period of twenty years the loan shall be forgiven.

23,600

\$ 92,389

NOTE 6 – OPERATING LEASES

The Organization leases various office space, client housing, equipment, and automobiles under operating leases. Minimum future lease payments under the leases are summarized as follows:

Years ended September 30,

2006	\$541,104
2007	104,631
2008	52,793
2009	52,641
2010	<u>39,141</u>
Total	<u>\$790,310</u>

Rent expense for the year ended September 30, 2005 was \$803,497.

RISE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 7 – ADVERTISING

Advertising expense totaled \$74,765 for the year ended September 30, 2005.

NOTE 8 – CASH FLOW DISCLOSURE

Cash paid for interest for the year ended September 30, 2005 was \$166,176.

The Organization had the following non-cash investing and financing transactions during the year ended September 30, 2005:

Non-cash reductions of \$2,733 were made during the year ended September 30, 2005 to a note obligation to the State of Oregon.

NOTE 9 – ECONOMIC DEPENDENCY

The Organization receives the majority, approximately 98%, of its revenues from various state and county government contracts. These contracts provide funding for up to one year at a time. If these contracts are not renewed or replaced, the Organization would not be able to operate in the same manner as it has in the past. Management considers the likelihood of such an occurrence remote.

NOTE 10 – RETIREMENT PLAN

The Organization sponsors a deferred compensation plan under Section 403(b) of the Internal Revenue Code. The plan covers all employees who work a minimum of twenty hours per week, after 90 days of employment but they will not receive company matching contributions until completion of one year of service. Contributions to the plan are made by the participants to their individual accounts through payroll withholdings. The Organization matches 10 percent of employee contributions up to the maximums allowed under the law. The Organization contributed \$1,917 to the plan during the year ended September 30, 2005.

The Organization also has a deferred compensation plan for the exclusive benefit of certain employees who are among a select group of management or highly compensated employees. The participants may defer a minimum of 2 percent and a maximum of 100 percent of their compensation. The Organization's discretionary contribution to the plan is an amount equal to the lesser of 100 percent of the participant's deferral amount or 10 percent of the participant's annual compensation. The amount expensed for this plan for the year ended September 30, 2005 was \$48,637.

RISE, INC.
NOTES TO FINANCIAL STATEMENTS
September 30, 2005

NOTE 11 – LITIGATION

The Organization is involved in lawsuits and claims incidental to the ordinary course of its operations. In the opinion of management, all such matters are adequately covered by insurance or are immaterial and will not have a significant effect on the financial position or results of operations of the Organization. Accordingly, no provision has been made in the accompanying financial statements for losses, if any, that might result from the ultimate outcome of these matters.

NOTE 12 – CONTINGENCIES

RISE, Inc. is subject to audit by its funding agencies. Contingent liabilities to agencies, if any, have not been determined at September 30, 2005. Management believes that no such liabilities exist at September 30, 2005.

This information is an integral part of the accompanying financial statements.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
RISE, Inc.
Mesa, Arizona

We have audited the financial statements of RISE, Inc., as of and for the year ended September 30, 2005, and have issued our report thereon dated December 2, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered RISE, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RISE, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Rise, Inc. in a separate letter dated December 2, 2005.

This report is intended for the information of management, Board of Directors and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Gunderson LLP

Phoenix, Arizona
December 2, 2005



INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE

Board of Directors
RISE, Inc.
Mesa, Arizona

We have audited the financial statements of RISE, Inc., as of and for the year ended September 30, 2005, and have issued our report thereon dated December 2, 2005. As part of our audit, we have audited RISE, Inc.'s compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major state service contracts as required by the State of Utah Legal Compliance Audit Guide for the year ended September 30, 2005.

Service Contract Provider (Department of Human Services,
Division of Services for People with Disabilities)
Contract No. A00554

Service Contract Provider (Department of Human Services,
Division of Child and Family Services)
Contract No. A00725

The management of RISE, Inc. is responsible for the entity's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about RISE, Inc.'s compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed no instances of noncompliance with the requirements referred to above.

In our opinion, RISE, Inc. complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to its major state service contracts for the year ended September 30, 2005.

Clifton Gunderson LLP

Phoenix, Arizona
December 2, 2005



**Clifton
Gunderson LLP**

Certified Public Accountants & Consultants

Board of Directors
RISE, Inc.
Mesa, Arizona

In planning and performing our audit of the financial statements of RISE, Inc. as of and for the year ended September 30, 2005, we considered the Company's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. Our consideration of the internal control was only a part of our overall audit plan and was not intended to be a complete review of all of the Company's accounting procedures, therefore, it would not necessarily disclose all reportable conditions or other comments for improvement. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

As a result of the procedures described above, we have the following comments and recommendations for improvement.

CHECKS

Check numbers are automatically assigned in the current software; however they can be manipulated which may leave unused check numbers in the check number sequence. It is recommended that a control is implemented to prohibit manually entering check numbers.

There were two occasions during the course of our audit that the organization did not stop payment on a lost or missing check. It is recommended that the organization adopt a policy for handling lost or missing checks.

These comments and suggestions are intended solely for the information and use of the Board of Directors, management and others within the organization and are not intended to be and should not be used by anyone other than these specified parties. We appreciate the opportunity to present these matters and are available to provide any assistance in implementing any of the recommendations.

Clifton Gunderson LLP

Phoenix, Arizona
December 2, 2005